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Marketing Strategies of Western North American Sawmills

Juha Niemela, Heikki Julin, Paul Smith, David Cohen. 1992

Executive Summary

Background and Purpose

This research is based on the following strategic issues facing the softwood lumber industry in Western North America: 1) the economic importance of the lumber industry for Western North America; 2) factors affecting the operating environment of the industry; 3) changes in customer needs; and 4) the need for information in the area of strategic planning.

The main purpose of this study is to provide information regarding the marketing strategies employed by Western North American sawmills. The results of this study will aid strategic planning in the Western North American lumber industry, and its purpose will be achieved by describing the marketing strategies used in the Western North American lumber industry and by comparing and contrasting the marketing strategies employed by U.S. and Canadian lumber producers.

Research Methodology

The theoretical background for this research is based on extensive research work reported by several authors in the area of strategic planning and marketing strategies. The concept of marketing strategy, especially that used in operationalization, has its theoretical and methodological base in the work by professor H. J. Juslin at the Department of Forest Products Marketing in University of Helsinki in Finland. This concept examines marketing strategy based on strategic decisions concerning: products, customers, market areas and competitive advantages. The generic competitive strategies are assessed based on Porter's (1980) model.

The data for this study were collected via personal interviews during the first half of 1991. A purposive sample of 79 companies was selected and a personal interview was conducted with 81.0 percent of the companies that were contacted. The data were analyzed using univariate methods of analysis. The results are presented mainly in two categories, namely the Western U.S. and British Columbia, Canada.

Profile of Respondent Companies

The production of respondent companies represented 65.4 percent of the total lumber production in the targeted area in 1990. Over two-thirds of the production was commodity products in both countries. British Columbia firms exported a much higher proportion of their production (6.5 times) than the responding firms in the Western U.S. However, 92 percent of the commodity products produced in British Columbia were exported to the U.S.

According to annual gross sales, responding firms were represented by relatively more small and big companies in British Columbia than in the Western U.S. In both countries, the companies interviewed concentrate on serving just a few types of customers. The five major customer types identified buy 92 percent of the production in both countries.

Marketing Strategies

The present production of companies reflects strategic decisions they made in the past. This might explain the differences found between production figures and product strategies. The present product strategies should be actualized in the future. The product strategies give a clear indication that 90 companies in British Columbia are moving from commodity products to specialty and custom-made products. In the Western U.S., commodity products are still being emphasized quite heavily; however, some indication of a move toward specialty and custom-made products can be observed.

According to customer strategies, companies in both countries are rather selective when choosing the customers to be targeted. Western U.S. companies are more selective versus responding firms in British Columbia. That is somewhat surprising, because Western U.S. companies continue to emphasize a commodity product strategy.

Regarding market area strategies, companies in both countries are very selective in choosing their market area. Western U.S. companies are perhaps more selective compared to responding firms in British Columbia, according to the interview results.

Connections Between Marketing Strategies And Marketing Functions

The marketing strategies are realized through marketing structures and functions. Marketing structures are marketing organization, planning and information systems, contact channels, and channels of physical distribution. Marketing functions can be divided into contact functions (personal contacts, marketing communication and market information) and product functions (product planning, pricing and physical distribution). The functional levels are presented in this study through the measurement of export marketing channels, product development and collection of market information.

Exports of products were divided into 12 different export marketing channels. British Columbia exports 85 percent of its production (most to the U.S.) compared with only 13 percent of responding U.S. firms' production going to international markets. In general, British Columbia companies seem to be using somewhat more direct contacts with end-users and they also use more domestic agents than companies in the Western U.S.

Over half of the companies in the Western U.S. and over two-thirds in British Columbia are pursuing continuous and systematic product development. The companies with no product development (less than 15 percent of all responding firms) are found among the companies that are applying a commodity products strategy, a specialty products strategy or a combination of these two. The most important stating point for product development in both countries was to more effectively utilize raw materials and adapt production to raw material possibilities. For companies applying a specialty products strategy, raw materials seem to be an even more important stating point than for companies applying other product strategies.

In general, responding firms did not perceive a great deal of difficulty in connection with research and development. The largest problems in the Western U.S. appear to be the economic resources and the organization of research and development. In British Columbia the largest problems are technological and economic resources.

In both countries, most of the companies are collecting market information either continuously or occasionally. Also in both countries, companies applying a commodity product strategy or a specialty product strategy appear to be more occasional and casual in their collection of market information.

Connections Between Marketing Strategies and Profitability of the Companies

In the Western U.S., over 70 percent of the responding companies were profitable, whereas in British Columbia under half of the companies were profitable in 1990. Only 37 of the 64 responding firms in both countries provided information on their profitability. The connections between marketing strategies and profitability were not found to be statistically significant.

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